





The Universal Service Administrative Company

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Applicants

## Obligation to Pay Non-Discount Portion

Service Providers

Applicants are **required** to pay the non-discount portion of the cost of the goods and services to their service provider (s). Service Providers are **required** to bill applicants for the non-discount portion. The Federal Communications Commission stated that requiring applicants to pay their share would ensure efficiency and accountability in the program:

Tools

Requiring schools and libraries to pay a share of the cost should encourage them to avoid unnecessary and wasteful expenditures because they will be unlikely to commit their own funds for purchases they cannot use effectively. A percentage discount also encourages schools and libraries to seek the best pre-discount price and to make informed, knowledgeable choices among their options, thereby building in effective fiscal constraints on the account fund.

Forms

Applicants certify that they have complied with this requirement on FCC Forms 470 and 471. On the Form 470, applicants certify as follows in Item 23:

I recognize that support under this support mechanism is conditional upon the school(s) or library(ies) I represent securing access to all of the resources, including computers, training, software, maintenance, and electrical connections necessary to use the services purchased effectively.

On the Form 471, applicants certify as follows in Item 25:

The eligible schools and libraries listed in Block 4 of this application have secured access to all of the resources, including computers, training, software, maintenance, and electrical connections necessary to make effective use of the services purchased as well as to pay the discounted charges for eligible services.

"Secured access" means that you can show that these funds are, or will be, part of your annual budget; or, if you are obtaining the funds from an outside source, that these funds have been promised to you. If you obtain these funds from an outside source, the funds must not come directly or

**FY2004 Filing Window Closes February 4, 2004**

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- Eligible Services List
- Changes & Corrections
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indirectly from your service provider(s).

Some service providers and consultants offer to waive the non-discount portion, or to provide the applicant with a credit or with goods and services equivalent to the non-discount portion. It is a violation of program rules for service providers to waive or credit the applicant's share in any manner. Any special offers to reduce the price must be incorporated into the Form 471 "Total pre-discount amount" so that both the applicant and the Universal Service Fund benefit from such price negotiations. Please see the Free Services Advisory for additional guidance.

On the Service Provider Annual Certification Form (FCC Form 473), service providers certify in item 10 that they have billed the applicant for the applicant's non-discount portion:

The Service Provider Invoice Forms that are submitted by this service provider contain requests for universal service support for services which have been billed to the service provider's customers on behalf of schools, libraries, and consortia of those entities, as deemed eligible for universal service support by the fund administrator.

Some service providers offer to help applicants locate grants to pay for their non-discount portion. Program rules do not restrict applicants from accepting grants from bona fide organizations, nor do they restrict service providers from attempting to help applicants obtain grants from such organizations, so long as the grants or organizations are independent of the service provider. See Free Services Advisory, Example 7.

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## Demonstrating Compliance with Program Rules

[Service Providers](#)

The Universal Service Administrative Company conducts audits of beneficiaries under the Schools & Libraries Support Mechanism, as well as beneficiaries under other Universal Service Support Mechanisms. In the Schools and Libraries case, "beneficiaries" can be recipients of service, Form 470 applicants, or Billed Entities; they may assume more than one of these roles during the course of the application process. The following practices have been identified during these beneficiary audits as being important for: (1) successful completion of the application process, (2) compliance with program rules during the period of service delivery and invoicing, and (3) the ability to demonstrate compliance with program rules in a beneficiary audit.

[Tools](#)
[Forms](#)

The Schools and Libraries Division urges beneficiaries to incorporate these practices in their participation in the Schools and Libraries Support Mechanism.

1. Establish a Technology Plan using staff expertise or an outside technology expert. Update the plan on an ongoing basis. The Plan should include, but not be limited to, the following:
  - Clear goals and a realistic strategy for achieving those goals
  - A professional development strategy to ensure that staff know how to use these new technologies to improve education or library services
  - An assessment of the telecommunication services, hardware, software, and other services that will be needed to improve education or library services
  - A detailed budget which supports the Plan and features the acquisition and maintenance of equipment, staff training and other needs addressed in the Plan
  - Methods for evaluating the progress of the Plan and for making changes or corrections to the strategy outlined in the original Plan in response to new developments and opportunities, including a description of the approval process for such changes and corrections.

2. Designate a specific individual to be responsible for

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oversight of the E-rate application process in order to take accountability and responsibility to ensure that it is accurate and that the equipment and services are eligible for funding. Ideally, this person should also be the contact person listed on forms filed with SLD.

3. Maintain a file of the Form 470 and Form 471 applications. This file should include, but not be limited to, the following:
  - A copy of the Form 470 application
  - A copy of the Form 471 application
  - Request For Proposal, if applicable
  - Copies of all bids
  - Documentation on the award process and the rationale for the bid award
  - Copies of all related contracts
  - Copies of all service provider invoices
  - Copy of the board resolution for any contract award
4. Maintain a log of all communications with SLD. This includes communication between SLD and any contact person who is not the responsible individual. Each entry should include the name of the person who placed the call, the time of the call, the name of the person who responded, and the substance of the communication.
5. Maintain an updated list or file of the status of all work, in order to monitor both the progress of the project and the expenditure of approved funds related to the project.
6. Maintain and update detailed asset registers (including make, model, serial number, and location) for all sites to facilitate the tracking of equipment purchased with E-rate funds. In addition, diagrams that clearly show how equipment is actually connected and used should become part of the registers if those diagrams are available.
7. If the applicant seeks reimbursement via the Form 472, review and approve the form to ensure that the work has been completed, that the service provider's bill has been paid in full, and that the reimbursement amount requested is correct.
8. Alternatively, if not filing Forms 472 for reimbursement, review the Quarterly Disbursement Report provided by the Schools and Libraries Division to ensure any payments to service providers are consistent with work actually performed and discounts provided on bills received.
9. Maintain a file for each Form 472 (BEAR) submitted to SLD. This file should contain a completed copy of the Form (including the signature of the Service Provider) and all supporting documentation.
10. Maintain a spreadsheet which tracks either the Form 472 (BEAR) requests for reimbursement or the discounts (in the form of discounts on bills, checks, or

credits) provided by the Service Provider to ensure the committed amount on the FRN(s) has not been exceeded.

11. Verify — either through an approved internal process or by an independent third party: that all work has been completed and that all equipment is operating properly.

USAC has created a suggested Compliance Documentation Checklist that applicants can use to track their collection of documentation about the process of applying for, using, and invoicing of Schools and Libraries discounts.

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## Applicants

- Step 1.** Program Description (PDF Format; 196kb)
- Step 2.** Developing the Technology Plan
- Step 3.** Describing the Services Sought - Form 470
- Step 4.** Bidding Process and Selecting Vendors
- Step 5.** Filing Form 471 - Services Ordered and Certification Form
- Step 6.** SLD Processes Form 471 Applications
- Step 7.** Funding Decisions Sent to Applicants and Vendors
- Step 8.** Services Begin - Filing the Form 486
- Step 9.** Discounts Appear on Bills / BEAR Form 472
- Step 10.** Appeals / Corrections

SL Overview

Applicants ✓

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- [Discount Matrix](#)

Service Providers ✓

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SL Forms

Data Requests

Funding Commitments ✓

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PIN Request Area

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**Task Force on the Prevention of Waste, Fraud and Abuse**

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**El Paso Independent School District**  
**General Fund - Fund Balances**  
**8/31/04**

<u>Fund Balances</u>	<u>8/31/03</u>	<u>Cur Year Adj</u>	<u>E-Rate</u>	<u>2/29/04</u>
Reserved for investments in inventory	1,884,858			1,884,858
Reserved for outstanding encumbrances	2,648,279			2,648,279
Designated for construction	16,414,358			16,414,358
Unreserved and undesignated	29,617,493	224,056	(2,005,810)	27,835,739
Total fund balances	50,564,988	224,056	(2,005,810)	48,783,234

Current Year Adjustments

Projected surplus in the 2004 budget	41,237
Adjustment for 9 and 10 month employee benefits	432,900
Adjustment for overcharge of food service utilities	(250,081)
Total	224,056

E-Rate

Designated for E-Rate Year 6	(1,465,000)
Designated for E-Rate Year 7	(540,810)
Total	(2,005,810)







OFFICE OF THE GOVERNOR

FEB 02 2004

CRIMINAL JUSTICE DIVISION

**EL PASO INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL AND COMPLIANCE REPORT**  
**YEAR ENDED AUGUST 31, 2003**  
**(WITH INDEPENDENT AUDITOR'S REPORTS THEREON)**

CERTIFICATE OF BOARD

El Paso Independent School District  
Name of School District

El Paso County  
County

071902  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial and compliance reports of the above named school district were reviewed and ✓ approved \_\_\_\_\_ disapproved for the year ended August 31, 2003, at a meeting of the board of school trustees of such school district on the 13th day of January 2004.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

If the board of trustees disapproves of the independent auditor's report, the reason(s) for disapproving it is(are): (attach list as necessary)



Finance Unit  
Accounting Services

January 7, 2004

Members of the Board of Trustees  
El Paso Independent School District  
6531 Boeing Drive  
El Paso, Texas 79925

Ladies and Gentlemen:

The Annual Financial Report for the El Paso Independent School District (the District) as of and for the fiscal year ended August 31, 2003, is submitted herewith. The responsibility for both the accuracy of the data and the completeness of the presentation, including all disclosures, rests with the management of the District.

Effective September 1, 2001, the District adopted Statement No. 34 of the Governmental Accounting Standards Board. Statement 34 is titled *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This new reporting standard is intended to parallel private sector reporting by consolidating governmental and business activities into a single column for government-wide activities.

This report was prepared by Dunbar, Broaddus, Gibson, LLP with the assistance of the Finance Department, and to the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner to present fairly the financial position and results of operations of the various funds of the District. Readers of this report are encouraged to consider the information presented here in conjunction with additional information presented in management’s discussion and analysis found on pages 15 through 22 of this report. All disclosures necessary to enable the reader to gain an understanding of the financial activities for the fiscal year ended August 31, 2003 have been included.

This report is comprised of three major categories:

#### **Introductory Section**

This section contains this letter of transmittal that summarizes fiscal information.

#### **Financial Section**

This section contains the Independent Auditor’s Report, Managements Discussion and Analysis, the Basic Financial Statements, Notes to the Basic Financial Statements and Supplemental Information, which includes financial statements by fund type. The Basic Financial Statements, together with the independent auditors report, Management Discussion and analysis and the Notes to the Financial

Statements are designed to provide a financial overview; the Supplemental Information provides more detailed financial information on a fund by fund basis.

### **Federal Awards Section**

This section is presented in conformity with the provision of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of states, local governments and non-profit organizations.

### ***Financial Management***

District management is responsible for establishing and maintaining internal control designed to ensure the assets of the District are protected from loss, theft, misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgements by management.

***Single Audit*** – As a recipient of federal and state financial assistance, the District also is responsible for ensuring that adequate internal control is in place to ensure compliance with applicable laws and regulations related to these programs. This internal control is subject to periodic evaluation by District management.

As part of the District's single audit, tests are made to determine the adequacy of internal control, including that portion related to federal award programs, as well as to determine that the government has complied with applicable laws, regulations, contracts and grants. The results of the District's single audit for the fiscal year ended August 31, 2003 provided no instances of material weaknesses or reportable conditions in internal control or material violations of applicable laws, regulations, contracts and grants.

***Budget Control*** – The District maintains numerous budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget adopted by the Board of Trustees. Activities of all funds are included in this report. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by fund.

The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end and are generally re-established in the following year as an obligation against that year's appropriated budget.

***Accounting Policies*** – Detailed descriptions of the District's accounting policies are contained in the Notes to the Basic Financial Statements on pages 41 through 63, and they are an integral part of this report. These policies describe the basis of accounting, funds and accounts used, valuation policies for inventories and investments and other significant accounting information.

Members of the Board of Trustees  
January 7, 2004  
Page 3

***Independent Audit*** – The accounting firm of Dunbar, Broaddus, Gibson, LLP was appointed by the Board of Trustees to perform the August 31, 2003 fiscal year audit. The Independent auditor's report on the Basic Financial Statements is included in the financial section of this report. The auditors' reports related to the single audit are included in the Single Audit Section.

***Acknowledgement*** – We would like to express our appreciation for to the District's independent auditors Dunbar, Broaddus, Gibson, LLP for the professional manner in which they have accomplished this audit. We would also like to thank Superintendent, Charles Tafoya and the Board of Trustees for their interest and support in planning and conducting the financial operations of the El Paso Independent School District in a responsible and professional manner.

Respectfully submitted,



Martha E. Piekarski  
Director, Accounting Services

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of El Paso Independent School District (District) as of and for the year ended August 31, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2003 on our consideration of El Paso Independent School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the other required supplementary information on pages 15 through 22 and 65, respectively, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the District. These combining and individual nonmajor fund financial statements and schedules, except for Exhibit H-3 (Fund Balance and Cash Flow Calculation Worksheet) which is marked **UNAUDITED** and on which we express no opinion, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

*Dubor, Braddock, Ch LLP*

El Paso, Texas  
October 31, 2003

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## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District implemented GASB Statement #34 last year and, as a result, will be presenting an analysis of comparative balances and the changes therein based upon the GASB requirements. As previously noted, net assets may serve, over time, as an indicator of an organization's financial health. As for the District, assets exceed liabilities by \$105.6 million, although this is down from the 2002 year-end net assets of \$115.9 million. Unrestricted net assets, those assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased from \$34.6 million to \$35.7 million primarily as a result of a significant increase in revenue of the Health Care internal service fund. Operating results of the fund show income of \$9.1 million as the District switched third party administrators, leading to improved rates, and a \$5.35 million (15.7%) decrease in claims over the fiscal year. On the other hand, restricted net assets decreased from \$41.6 million to \$31.4 million as the result of the planned construction spending of the Maintenance Tax Note funds.

Table I  
El Paso Independent School District

	Net Assets (in thousands)	
	August 31, 2003	August 31, 2002
Current and other assets	123,814	141,909
Capital assets	251,748	254,460
Total assets	375,562	396,369
Long-term liabilities	227,756	229,953
Other liabilities	42,243	50,477
Total liabilities	269,999	280,430
Net Assets:		
Invested in capital assets net of related debt	38,369	39,657
Restricted	31,446	41,670
Unrestricted	35,748	34,612
Total net assets	105,563	115,939

EL PASO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AUGUST 31, 2003

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 67,719,145
1120 Current Investments	2,000,000
1220 Property Taxes Receivable (Delinquent)	12,657,493
1230 Allowance for Uncollectible Taxes	(5,302,000)
1240 Due from Other Governments	24,743,993
1250 Accrued Interest	167,484
1290 Other Receivables	1,131,905
1300 Inventories - supplies and materials	1,928,257
1410 Deferred Expenditures/Expenses	775,146
1430 Premium & Discount on Issuance of Bonds	(726,165)
1510 Land	38,770,756
1520 Buildings, net	196,929,998
1530 Furniture and Equipment, net	8,717,017
1550 Leased Property Under Capital Leases, net	216,643
1580 Construction in Progress	7,113,396
1900 Long Term Investments	18,718,421
1000 Total Assets	<u>375,561,488</u>
<b>LIABILITIES</b>	
2110 Accounts Payable	4,485,594
2140 Interest Payable	377,630
2150 Payroll Deductions & Withholdings	2,369,408
2160 Accrued Wages Payable	19,286,819
2180 Due to Other Governments	830,493
2200 Accrued Expenditures or Expenses	13,294,950
2300 Deferred Revenues	1,597,287
Long Term Liabilities:	
2501 Due Within One Year	10,530,541
2502 Due in More Than One Year	217,226,112
2000 Total Liabilities	<u>269,998,834</u>
<b>NET ASSETS</b>	
3200 Invested in Capital Assets, Net of Related Debt	38,368,361
3840 Restricted for Food Service	315,916
3850 Restricted for Debt Service	6,948,347
3860 Restricted for Capital Projects	24,181,749
3900 Unrestricted Net Assets	35,748,281
3000 Total Net Assets	<u>\$ 105,562,654</u>

The accompanying notes are an integral part of this statement.

EL PASO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2003

EXHIBIT B-1

Data Control Codes	1  Expenses	Program Revenues		6  Net (Expense) Revenue and Changes in Net Assets
		3  Charges for Services	4  Operating Grants and Contributions	
				Governmental Activities
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 277,036,092	\$ 3,171,702	\$ 55,425,010	\$ (218,439,380)
12 Instructional Resources & Media Services	11,317,712	38,674	2,042,546	(9,236,492)
13 Curriculum and Staff Development	12,235,240	348,070	6,679,778	(5,207,392)
21 Instructional Leadership	4,906,477	116,024	1,172,690	(3,617,763)
23 School Leadership	26,380,919	77,349	3,230,558	(23,073,012)
31 Guidance, Counseling & Evaluation Services	17,753,622	193,372	3,250,083	(14,310,167)
32 Social Work Services	1,406,172	-	384,654	(1,021,518)
33 Health Services	5,794,199	77,349	1,104,084	(4,612,766)
34 Student (Pupil) Transportation	12,248,793	462,603	1,116,935	(10,669,255)
35 Food Services	24,178,855	4,477,397	18,394,755	(1,306,703)
36 Cocurricular/Extracurricular Activities	7,229,918	390,789	113,028	(6,726,101)
41 General Administration	9,917,063	-	497,368	(9,419,695)
51 Plant Maintenance and Operations	40,514,128	96,638	1,903,659	(38,513,831)
52 Security and Monitoring Services	3,515,553	-	277,440	(3,238,113)
53 Data Processing Services	4,686,914	77,349	144,124	(4,465,441)
61 Community Services	1,186,116	-	869,518	(316,598)
72 Debt Service - Interest on Long Term Debt	9,777,845	-	-	(9,777,845)
73 Debt Service - Bond Issuance Cost & Fees	977,265	-	-	(977,265)
81 Facilities Acquisition and Construction	17,232,008	38,674	1,384,454	(15,808,880)
[TG] Total Governmental Activities:	488,294,891	9,565,990	97,990,686	(380,738,215)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 488,294,891	\$ 9,565,990	\$ 97,990,686	(380,738,215)
<b>General Revenues:</b>				
<b>Taxes:</b>				
MT	Property Taxes, Levied for General Purposes			131,438,552
DT	Property Taxes, Levied for Debt Service			7,168,915
SF	State Aid - Formula Grants			212,581,735
GC	Grants & Contributions not Restricted			15,847,758
IE	Investment Earnings			1,684,827
MI	Miscellaneous Local and Intermediate Revenue			1,640,230
TR	Total General Revenues			370,362,017
CN	Change in Net Assets			(10,376,198)
NB	Net Assets--Beginning			115,938,852
NE	Net Assets--Ending			\$ 105,562,654

The accompanying notes are an integral part of this statement.

EL PASO INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2003

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 50,068,709	\$ 15,486,790	\$ 65,555,499
1120 Investments - Current	2,000,000	-	2,000,000
1220 Property Taxes - Delinquent	11,345,071	1,312,422	12,657,493
1230 Allowance for Uncollectible Taxes (credit)	(4,750,000)	(552,000)	(5,302,000)
1240 Due from Other Governments	19,090,553	5,653,440	24,743,993
1250 Accrued Interest	46,445	17,961	64,406
1260 Due from Other Funds	2,416,937	-	2,416,937
1290 Other Receivables	1,060,180	24,014	1,084,194
1300 Inventories	1,884,858	43,399	1,928,257
1900 Other Assets	-	3,931,573	3,931,573
1000 Total Assets	<u>\$ 83,162,753</u>	<u>\$ 25,917,599</u>	<u>\$ 109,080,352</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
2110 Accounts Payable	\$ 3,516,600	\$ 849,844	\$ 4,366,444
2150 Payroll Deductions and Withholdings Payable	2,369,408	-	2,369,408
2160 Accrued Wages Payable	19,286,819	-	19,286,819
2170 Due to Other Funds	1,322,109	2,416,937	3,739,046
2180 Due to Other Governments	302,694	527,799	830,493
2200 Accrued Expenditures	65,064	-	65,064
2300 Deferred Revenues	5,735,071	2,307,711	8,042,782
2000 Total Liabilities	<u>\$ 32,597,765</u>	<u>\$ 6,102,291</u>	<u>\$ 38,700,056</u>
<b>Fund Balances:</b>			
<b>Reserved For:</b>			
3410 Investments in Inventory	\$ 1,884,858	\$ 43,399	\$ 1,928,257
3420 Retirement of Long-Term Debt	-	6,948,347	6,948,347
3440 Outstanding Encumbrances	2,648,279	-	2,648,279
3450 Food Service	-	272,517	272,517
<b>Unreserved Designated For:</b>			
3510 Construction	16,414,358	7,767,391	24,181,749
3590 Other Purposes	-	4,783,654	4,783,654
<b>Unreserved and Undesignated:</b>			
3600 Reported in the General Fund	29,617,493	-	29,617,493
3000 Total Fund Balances	<u>\$ 50,564,988</u>	<u>\$ 19,815,308</u>	<u>\$ 70,380,296</u>
4000 Total Liabilities and Fund Balances	<u>\$ 83,162,753</u>	<u>\$ 25,917,599</u>	<u>\$ 109,080,352</u>

The accompanying notes are an integral part of this statement.

EL PASO INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED AUGUST 31, 2003

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 70,380,296</b>
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.	5,074,356
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$453,236,062 and the accumulated depreciation was \$198,775,657. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.	24,507,688
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2003 capital outlays and debt principal payments is to increase net assets.	16,884,079
4 The 2003 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(9,228,754)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net assets.	(2,055,011)
<b>19 Net Assets of Governmental Activities</b>	<b>\$ 105,562,654</b>

The accompanying notes are an integral part of this statement.

EL PASO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2003

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 138,619,092	\$ 12,912,847	\$ 151,531,939
5800 State Program Revenues	227,763,582	30,160,658	257,924,240
5900 Federal Program Revenues	5,727,877	62,739,697	68,467,574
5020 Total Revenues	372,110,551	105,813,202	477,923,753
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	230,994,350	45,571,418	276,565,768
0012 Instructional Resources & Media Services	9,564,689	1,730,685	11,295,374
0013 Curriculum & Instructional Staff Development	5,808,306	6,464,014	12,272,320
0021 Instructional Leadership	3,831,611	1,091,815	4,923,426
0023 School Leadership	24,138,481	2,167,143	26,305,624
0031 Guidance, Counseling & Evaluation Services	15,100,886	2,634,306	17,735,192
0032 Social Work Services	1,062,481	343,652	1,406,133
0033 Health Services	4,901,827	882,555	5,784,382
0034 Student (Pupil) Transportation	12,625,005	760,977	13,385,982
0035 Food Services	-	25,258,436	25,258,436
0036 Cocurricular/Extracurricular Activities	7,221,274	5,787	7,227,061
0041 General Administration	11,267,098	223,277	11,490,375
0051 Plant Maintenance and Operations	39,809,345	911,865	40,721,210
0052 Security and Monitoring Services	3,405,298	150,079	3,555,377
0053 Data Processing Services	5,464,192	51,304	5,515,496
0061 Community Services	313,104	877,899	1,191,003
Debt Service:			
0071 Debt Service - Principal on long-term debt	1,510,000	7,843,927	9,353,927
0072 Debt Service - Interest on long-term debt	2,266,454	8,840,810	11,107,264
0073 Debt Service - Bond Issuance Cost and Fees	(36,824)	1,014,089	977,265
Capital Outlay:			
0081 Facilities Acquisition and Construction	16,351,955	3,511,605	19,863,560
6030 Total Expenditures	395,599,532	110,335,643	505,935,175
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(23,488,981)	(4,522,441)	(28,011,422)
<b>OTHER FINANCING SOURCES (USES):</b>			
7911 Capital-related Debt Issued (Regular Bonds)	-	71,765,000	71,765,000
7913 Proceeds from Capital Leases	204,487	-	204,487
7916 Premium or Discount on Issuance of Bonds	-	4,475,613	4,475,613
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(67,102,961)	(67,102,961)
7080 Total Other Financing Sources (Uses)	204,487	9,137,652	9,342,139
1200 Net Change in Fund Balances	(23,284,494)	4,615,211	(18,669,283)
0100 Fund Balance - September 1 (Beginning)	73,849,482	15,200,097	89,049,579
3000 Fund Balance - August 31 (Ending)	\$ 50,564,988	\$ 19,815,308	\$ 70,380,296

The accompanying notes are an integral part of this statement.

EL PASO INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2003

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (18,669,283)</b>
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net assets.	9,182,652
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2003 capital outlays and debt principal payments is to increase net assets.	17,302,736
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(9,228,754)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.	(8,963,549)
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ (10,376,198)</u></b>

The accompanying notes are an integral part of this statement.



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